



Global Business Services

ENCOMPASS Townhall Meeting

February 28 , 2007



Agenda

- Project Status – David Reynolds
- Updates from the Auditor of the State – Tim Berry
- FYI – Steve Daniels
- Chart of Accounts Updates – Steve Daniels
 - Projects Module Work Group
 - Project Chartfield / Processes
 - COA Mapping
- Internal Controls – Marilyn Rudolph and Carl Zapfe
- Questions & Answers – Steve Daniels



Project Status

- ENCOMPASS project launched at the beginning of October.
- Completed solution strategy (high-level) and fit-gap analysis (detailed analysis).
- Assessed the results and established a go-live date of January 2, 2008 – providing time to fully explore and test the business processes and application.
- FSSA is about to go-live with Phase 2 of their implementation. INDOT is on track for a July go-live. All three projects are continuing to coordinate with one another.



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Tim Berry
Auditor of State





FYI

- New members on the Core Team
- Cannot overemphasize the ***importance of common processes*** to improve consistency and comparability of data
- ***Essential*** for agencies to reconcile financial data from their records to AoS balances to ensure accurate information at go-live.



FYI

- PeopleSoft v 8.9 ***upgrade scheduled for mid-April 2007*** to accommodate end-of-quarter activities.
 - Walkthroughs: First round in December 2006; 32 agencies and 99 people in attendance.
 - Second round in February 2007; 25 agencies and at least 78 people in attendance.
- Chart of Accounts presentations in December 2006
 - Frequently Asked Questions available on website
- First pass of FY08 Budgets loaded 2/26/07



FAQ review

Alchemy

- Question: Will ENCOMPASS replace the Alchemy system?
- Answer: No. Current plan is to use Alchemy as a main report repository for ENCOMPASS. Certain reports will be re-designed to reflect new chart of accounts.



FAQ review

Budget - Encumbrances

- Question: Currently users cannot encumber funds without an appropriation in place. Will ENCOMPASS allow agencies to encumber funds for funds that are not yet appropriated, such as grant funds?
- Answer: Yes. Grant funds will be appropriated and allotted in ENCOMPASS. We will provide additional detail on this process as it becomes available.



FAQ Review

Business Processes

- Question: If we currently pay a bill related to a Federal grant from four different sources, in the future will we need to have four different Funds and create four lines of entry in ENCOMPASS? Won't this quadruple our work?
- Answer: ENCOMPASS can automatically split transactions between different Funds. (This may not be the case for every transaction.) Some entries may require multiple lines, whereas currently, less up-front entry is required.

However, you currently enter several journal vouchers to spread the expense across multiple fund centers on the back-end. In ENCOMPASS, a transaction will only be entered once.



FAQ Review

Conversion

- Question: When the Auditor of State's Office (AoS) starts using ENCOMPASS, will both ENCOMPASS and the old AoS system be up and running at the same time?
- Answer: No. When AoS starts using ENCOMPASS it will become the book of record. ENCOMPASS will replace all GEAC (old AoS system) functionality except payroll.



FAQ Review

Conversion

- Question: We have not been reconciling PeopleSoft to AoS balances lately. Does this have to be up to date?
- Answer: Yes! AoS maintains the official book of record. AoS balances are the correct balances. If PeopleSoft doesn't reflect this, the conversion amounts will be incorrect.

See GMIS Information and Helpful Hints: General Ledger & Budgets → Reconciliation → Automated Recon – Actuals Ledger FOCAD Recon for more information



FAQ Review

Conversion

- Question: If I have purchase orders with balances, do I need to create a new set of purchase orders with new codes, or will the new system generate new documents with correct balances and new account numbers?
- Answer: The ENCOMPASS team will design a process to convert existing purchase orders.



FAQ Review

Grants - Budget

- Question: My agency gets Federal grants established according to the Federal fiscal year, which doesn't match the State fiscal year. Even though the Federal government appropriates grants for October 1, funds may not be released for several months. How will this work in ENCOMPASS?
- Answer: Whenever possible, we need a copy of your grant award to establish a budget. When a grant award is not available timely, we may enter estimates for your federal grants, based on historical data and what Congress is considering. Follow-up will be required to get copy of your grant award.



FAQ Review

Payroll

- Question: Will AOS Payroll be in ENCOMPASS?
- Answer: Payroll transactions will be interfaced into the ENCOMPASS system as they are now in the current AoS system.
 - Agencies will continue to use the current process

More FAQs are posted on the ENCOMPASS website
<https://http://myshare.in.gov/sba/encompass>



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Chart of Accounts Updates



Projects Module Work Group

- Made up of your colleagues across State agencies, supported by a team of consultants with significant experience in government financial management systems.
- Participating agencies include:
 - Encompass Project Team
 - AOS
 - SBA
 - SBOA
 - GMIS
 - DNR
 - DWD
 - FSSA
 - ICJI
 - IDEM
 - INDOT
 - ISDH
- The knowledge and expertise in this group will help the State make smart decisions on the business rules for all agencies using the Project Module



Goals of the Projects Module Work Group

- Finalize the configuration of the Project Module approach in compliance with the basic project management and reporting principles.
- Provide feedback on the proposed Project Module approach.
- Discuss potential issues to the proposed approach based upon project management and reporting requirements for your agency.
- As a group, identify solutions to these potential issues.



Basic Project Management and Reporting Principles

- One standard Project Module approach for entire State.
- Chartfields used in the same way by all state agencies.
- ENCOMPASS Project reporting will support generation of schedules for State, Federal, and CAFR reporting requirements, including:
 - Accumulation of capital asset and infrastructure costs;
 - OMB A-133 reporting requirements;
 - Federal financial reporting schedules and supporting documentation; and
 - Federal cash drawdown calculations and supporting documentation.
- Commitment control will be required to be assigned at Fund, Project and Funding Source levels.



Two Major Changes from the INFORM Project Module Approach

- Projects:
 - Separate Projects will NOT be required for each funding source (Federal, State or Local) or grant year.
 - The Project ID will NOT require funding source designation ("F", "S" and "L") or year designation ("06", "07" or "08")
- Funds:
 - NO NEED to record individual revenue and expense transactions for Project to separate State and Federal Funds.
 - Federal Fund will act as a joint fund for recording revenue and expense transactions for Projects, including revenue and expense transactions that involve State matching funds.



Defining A Project

- A Project will be REQUIRED in each of the following instances:
- All expenses of Federal funds, including
 - Federal grants and appropriations received, and
 - Federal grants and appropriations passed through to subrecipients within or outside State government.
- Any expense that results in the construction of a State capital asset must be reported using Projects, including
 - State construction projects;
 - Construction of capital assets by state agencies; and
 - Construction of infrastructure assets by state agencies.



Defining A Fund

- Federal Funds will be defined where each functional State agency will have one Federal Fund for each Federal granting agency (Example: Each functional business unit that receives funds from DHHS would have one DHHS Fund).
 - Exception: Major Funds in CAFR (Major Moves & Medicaid) will be separate funds.
 - Exception: Federal Funds of multiple Fund types for CAFR reporting (special revenue, capital projects, etc.) will be separate Funds
- State Funds will continue to be determined at level of State appropriations or as outlined in statute
- Appropriations and allotments established for ALL State and Federal Funds



Defining Funding Source

- Funding Source: commitment control process at time of initial transaction is budget checked to enforce commitment control on distinct funding stream (i.e. individual Grant Award):
 - All or part of Funding Source (Grant Award) applied to various projects through Funding Source Allocation process
 - Funding Source commitment control ensures project does not overspend assigned amount of funding source
- Funding Source used to store information on distinct funding stream, such as:
 - CFDA #, Grant Document ID #, Initial Year Budgeted/Awarded, Award Amount, etc.
- Enforcing commitment control by Funding Source through Funding Source Allocation Required for ALL Federal grants.



Defining Funds Distribution

- Funds Distribution is NOT the same as Funding Source Allocation
- Funds Distribution occurs in Project Module to generate new Activities / Categories based upon relevant funding streams and percentage allocations to be used for Federal Billing / Reporting
- Funds Distribution produces new transactional lines in Project Module (based upon new Activities / Categories) with separate Analysis Type while maintaining original transactions, Activities and Analysis Type in Project Module
- Funds Distribution Process Required for ALL Federal grants



Chart of Accounts Mapping and Set-up

- In order to begin using the new Chart of Accounts structure, the State has to complete a series of activities:
 - Mapping your agency's existing chartfield data into the new Chart of Accounts structure
 - Testing out the mapping by converting agency data from the old structure to the new one
 - Setting up values in the new Chart of Accounts for fields you are not using today, but will use going forward
- You play a key role in completing these activities



Step 1: Provide input on Class, Product and Program

- Who: **Only** agencies that **currently** use chartfield to track equivalent of Class, Product or Program
- What: Provide to ENCOMPASS project team all values your agency is currently using for class, product or program
- How: Use worksheet template provided by ENCOMPASS project team
- When:
 - Kick-off briefing and training: week of **March 19**
 - Responses back to ENCOMPASS team by **March 30**
- **Get prepared:** Identify point-of-contact to coordinate with ENCOMPASS project team



Step 2: Provide input on projects

- Who: **Only** agencies that **currently** use Projects Module
- What: Provide input on values your agency is currently using in Projects Module
- How: Use worksheet template provided by ENCOMPASS project team
- When:
 - Kick-off briefing and training: week of **April 21**
 - Responses back to ENCOMPASS team by **May 12**
- **Get prepared:** Identify point-of-contact

This is contingent on completion of the
Projects Module Work Group



Step 3: Establish centrally-defined chartfields

- Who: ENCOMPASS team
- What: Establish values for centrally-defined chartfields such as business unit, fund or account
- How: Take existing agency data to establish a corresponding value
- When: During agency input process; must be completed in order to begin Step 4



Step 4: Execute chartfield mapping

- Who: All agencies
- What: Mapping from old chartfield values to new chartfield values
- How: Use an application developed by the ENCOMPASS team
- When:
 - Kick-off briefing and training the week of **May 21**
 - Responses due back by **June 22**
- ***Get prepared:*** Identify a single point-of-contact to coordinate with the ENCOMPASS team



Step 5: Run mock conversion

- Who: ENCOMPASS team
- What: Use mapping rules provided by agencies to convert agency data from old chartfield structure to new chartfield structure in a practice environment
- How: Writing and then running a set of instructions to the system on how to convert the data
- When: mid-July



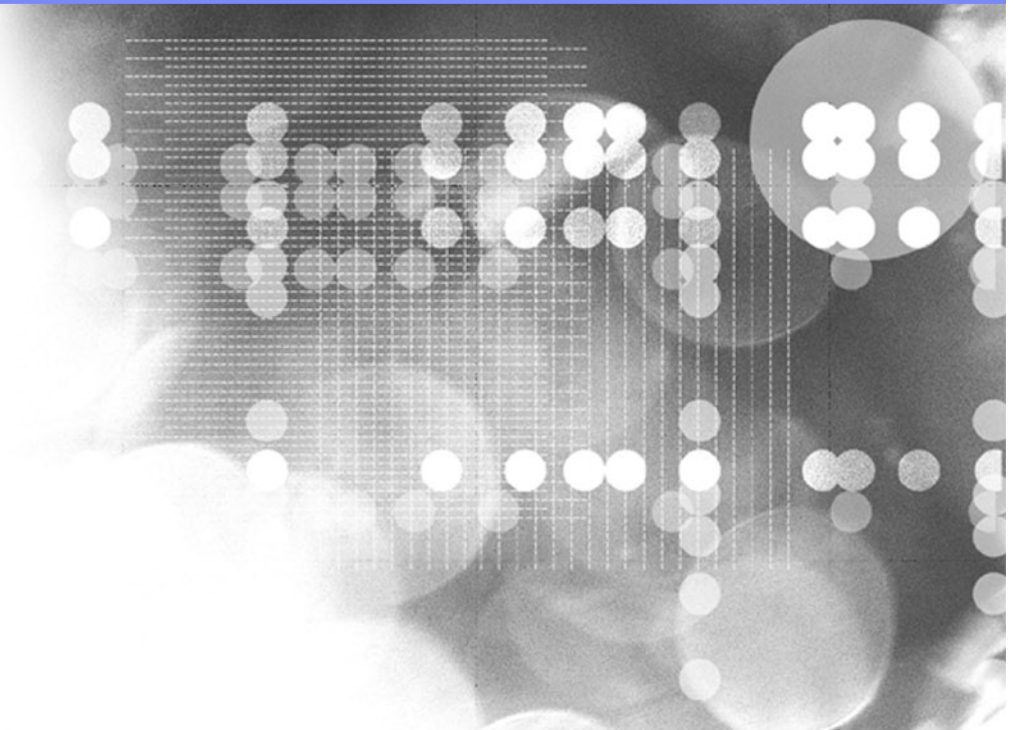
Step 6: Provide chartfield set-up data

- Who: All agencies
- What: Provide input on values for new chartfields that do not have existing agency data mapped to it
- How: TBD
- When: Mid-Summer through Fall



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Internal Control





What is internal control?

Definition:

A process, put into effect by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations



Why is it important?

- 95% of SBOA audit comments/findings are a result of poor internal controls.
- 54% of programs reviewed for the PROBE report had no records to determine program performance.
- Most cases of fraud discovered in state government could have been prevented if sufficient internal controls were in operation.



A Comprehensive Framework of Internal Control Must:

- Provide a favorable control environment
- Provide for the continuing assessment of risk
- Provide for the design, implementation, and maintenance of effective control-related policies and procedures (control activities)
- Provide for the effective communication of information
- Provide for ongoing monitoring of the effectiveness of control-related policies and procedures, as well as the resolution of any potential problems identified
- The most important of these is the control environment. Without it, none of the others will matter. These five are like links in a chain. A chain is only as strong as its weakest link. If one is broken, internal control is broken



Control Environment

- Corporate Culture – Tone at the Top
- When Management believes internal control is important to achieve its goals and communicates that view to employees at all levels on an ongoing basis, internal control is likely to function well
- Employees follow management's attitude as demonstrated by management's actions



Control Environment

- If management views internal control as unrelated to achieving its objectives, or as an obstacle to that purpose, this attitude almost certainly will be communicated to staff at all levels, despite official statements to the contrary, e.g. management overrides
- A favorable control environment requires that management throughout the organization communicate the importance of internal control to staff at all levels
- Swift and appropriate discipline for employees who violate standards of conduct as outlined in the policy
- Some parallels with State Ethics Commission
- Management can improve the quality of the control environment by establishing an internal audit function



Risk Assessment

- As the environment that government operates in changes, so do the risks that the government faces
- On an ongoing basis, management must try to identify and assess potential risks that could prevent management from fully meeting its responsibilities
- If top management alone is involved in assessing risks, risks facing individual programs and activities may be missed
- Conversely, if a government's ongoing risk assessment is confined to lower-level managers operating on an activity-by activity basis, more generalized risks may be overlooked



Risk Assessment

Two principal causes of risk:

- Changes in a government's operating environment. Change creates risk. Examples:
 - Rapid Growth
 - Changes in information systems and technology
 - Changes in personnel
 - New programs and services
 - Structural changes
- Inherent Risk. Examples:
 - Administrative complexity
 - High volume of cash receipts
 - History of prior problems
 - Previous unresponsiveness to identified problems



Control Activities

Effective policies and procedures, e.g.,

- *Authorization*: specific persons can initiate purchase requisitions or check requests
- *Security of assets and records*: authorized people have access; regular backups of computer records; disaster recovery plans
- *Segregation of incompatible duties*: a single individual cannot commit an irregularity and then conceal it
- *Periodic reconciliations*: cash balance in the accounting records is reconciled to the bank statements
- *Periodic verifications*: physical inventories of fixed assets as compared to accounting records
- *Analytical review*: compare what is reported to what might be reasonably expected



Communications and Information

- Top-level management must be able to communicate its directives to management and staff at all levels
- Staff at all levels must be able to communicate upward to management
- Communication with outside parties - e.g. suppliers and contractors to deter or detect inappropriate purchasing and bidding practices



Communications and Information

- Communication of correct accounting practices through formal documentation of finance-related policies and procedures, i.e. accounting manual
- Documentation of finance-related policies and procedures should be updated periodically according to a predetermined schedule
- Should delineate the authority and responsibility of employees for financial transactions



Monitoring

- Management should continuously monitor control-related policies and procedures to ensure that they are continuing to function properly
- Management must monitor potential problems disclosed by internal control to insure that such situations are corrected or otherwise resolved on a timely basis.
- Management must monitor the resolution of audit findings and correct them.



How can you make a difference?

- Look around you, outside your cubicle, to your team – those who work on the same project with you
- Consider how the team works. Think about what might occur which would prevent the team from reaching its goals (risk)
- Think about what might be changed that could prevent this (control activities)
- Think ahead
 - What changes in processes will occur in the next few months for your team?
 - Any personnel changes?
 - Does the team need to make adjustments or shift some tasks in order to maintain controls that are now in effect?



A good internal control system is a “safety net”

- Protects State assets
- Protects taxpayer
- Protects YOU



Contact Information

- ENCOMPASS Website
 - <http://myshare.in.gov/sba/encompass>
- ENCOMPASS Email Address
 - encompass@sba.in.gov
- If you are having technical issues, submit them to GMIS
 - http://extranet.in.gov/gmis/issue_entry/base/issue_entry.asp

We Welcome Your Feedback / Questions / Comments